MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BBF2044 - BANK MANAGEMENT

(All sections / Groups)

5 OCTOBER 2015 2.30 PM - 4.30 PM (2 Hours)

INSTRUCTIONS TO STUDENT

- 1. This Question paper consists of 3 pages with 5 Questions only.
- 2. Attempt FOUR out of FIVE questions. All questions carry equal marks and the distribution of the marks for each question is given.
- 3. Please write all your answers in the Answer Booklet provided.

Answer any FOUR (4) questions only (25 Marks each question).

QUESTION 1

a. What are the primary objectives of Bank Negara Malaysia (BNM)?

(10 marks)

b. On 6th October 2015, Ammar bought a CD Player and paid the vendor- Mr. Arian with a written cheque of RM300 from his account at Bank X. The current balance of Bank X on 6th October 2015 is given below:

Liabilities	
Checkable Deposits 800	
(

Then, on 7th October Mr.Arian deposits the cheque into his current account in Bank Y. Bank Y keeps 20% of deposits in its reserves and lends out the balance.

Based on the above situation, prepare a simple T-Account as at 7th October 2015 for Bank X and Y to show the effects of the above transactions.

(10 Marks)

c. In order to succeed in today's global marketplace and win sales against foreign competitors, exporters must offer their customers attractive sales terms supported by the appropriate payment methods. List out five (5) primary methods of payment for international transactions.

(5 Marks)

(Total: 25 marks)

QUESTION 2

a. What are the types of remittance facility offered by financial institutions to customers? Explain briefly and provide examples of this facility?

(12 Marks)

b. Discuss the factors to be taken into consideration for each of the SIX (6) critical components under the CAMELS rating framework. What is the indication if a bank has an overall composite rating of 5?

(13 Marks)

(Total: 25 marks)

Continued...

QUESTION 3

a. Generally, local commercial banks will tend to have more branches compared to foreign commercial banks. However, there are foreign commercial banks which show better performance than local banks. Does this mean that each branch is regarded as a profit or cost centre? Discuss the advantages of having branch banking.

(10 Marks)

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		Bank S				
Balance Sheet (RM Million)						
Assets	RM	Liabilities and Net values	RM			
Cash	80	Current deposits	100			
Treasury bills	110	Savings deposits	140			
Long term Investments	110	Fixed deposits	30			
Loans and advances	140	Negotiable certificates of Deposits	120			
		REPOS	30			
		Equity	20			
Total Assets	440	Total Liabilities and Equity	440			

		Bank H					
Balance Sheet (RM Million)							
Assets	RM	Liabilities and Net values	RM				
Cash	60	Current deposits	200				
Treasury bills	40	Savings deposits	60				
Long term Investments	80	Fixed deposits	60				
Loans and advances	260	Negotiable certificates of Deposits	70				
		REPOS	10				
		Equity	40				
Total Assets	440	Total Liabilities and Equity	440				

Based on the above balance sheets;

- i. Calculate capital to total assets ratio, capital to total deposits ratio and capital to total loans ratio for both Bank S and Bank H.
- ii. Which bank has better capital adequacy level? Please explain why.

(15 Marks)

(Total: 25 marks)

QUESTION 4

SBS

Islamic banks apply their funds to raise profits through different means. A bank has the option to either deploy its own funds in a particular business or enter into a joint venture agreement with customers. Based on exchanged-based contracts used as financial instruments in Islamic finance, write short notes on the following contracts. Please provide diagram and at least one example for each.

Continued...

a. Mudharabah Contract
b. Murabahah Contract
c. Ijarah Contract
(8.5 Marks)
(8.5 Marks)
(8 Marks)
(7 total: 25 marks)

OUESTION 5

a. Credit analysis process is based on the three principles in lending such as the principle of purpose, principle of payment and principle of protection. Explain briefly on how does a bank officer or credit officer evaluate loan applicant based on the five (5) elements for the purpose of credit analysis?

(15 Marks)

- b. Given below are the financial statements of Syarikat Indah Berhad. Calculate:
 - i) Return on Assets (ROA) Ratio
 - ii) Return on Equity (ROE) Ratio

	Syarikat Indah Berh	Syarikat Indah Berhad		rhad	
Current Assets: Cash Solo Accounts Receivable 16,000 Inventories 45,500 Total Current Assets 160,000 Variable cash expenditure 21,000 Variable cash expenditure 16,000 Depreciation 10,000 Earning before interests and tax 17,000 Interest expense 22,000 Earning before tax 10,900 Income tax 5,450 Current Liabilities 47,000 Total Current Liabilities 47,000 Earning before tax 10,900 Income tax 5,450 Current Liabilities 69,000 Cost of goods sold 96,000 96,000 Gross Margin 64,000 Gross Margin 64,000 Cost of goods sold 96,000 Gross Margin 64,000 Cost of goods sold 96,000 Cost of goods sold 96,000 Gross Margin 64,000 Cost of goods sold 96,000 Cost of goods sold 96,000 Gross Margin 64,000 Cost of goods sold 96,000 Cost of goods s	-		Income Statement		
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Retained Earnings 26,550					
	,	31,500			
Total Liability and Equity 150,000	_	26,550			
	Total Liability and Equity	<u>150,000</u>			

(10 Marks)

(Total: 25 marks)

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